

**HOLD**

TP: Rs 2,684 | ▲ 2%

**MPHASIS**

| IT Services

| 26 July 2025

## Getting its act together

- Mphasis weak and volatile QoQ growth for many quarters was due to - high US mortgage rates, underinvestment in large deals, client specific
- We think some of the headwinds have likely peaked. However, we remain concerned about its high client/vertical concentration risk
- Assuming TCV pick-up is sustainable we raise revenue/EPS estimates and target PE multiple. Upgrade to 'HOLD' from 'SELL'

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**1QFY26 was a good quarter:** It delivered better than expected revenue growth and its best TCV number in its history with three large deals out of four (large deals are >US\$20mn in size for Mphasis) greater than US\$100mn. This comes 9 months after setting up its large deals team.

**Why is it not a Buy?** We believe the client/vertical concentration risks (top client at 13%, top 10 at 54% and BFS at 53% in 1QFY26) remains high and in the current environment where the predominant theme is vendor consolidation, we can't be sure that there will be no negative surprises which could impact revenue growth and earnings. Many of its top clients (who have been long standing) have multi-vendor relationships.

**Why not keep it a SELL:** We believe Mphasis is getting its act together, especially in its efforts to win large deals which is resulting in a rising trajectory of TCV. It had been a little late into the large deals game for a company of its size. On the US mortgage front unless interest rates go up materially (which is a non-zero probability considering US fiscal deficits and debt) we do not think that part of its business can deteriorate any further. Also, we believe the loss of the logistics client is largely behind it. So, client specific challenges are behind it, at least in the near term.

**Wanting to grow at 2x industry rate in FY26 does not mean much:** Three months back Mphasis had stated that it wanted to grow at higher than industry rate and now it says that it wants to grow at 2x industry rate. We believe this does not materially change the aspiration as we believe that industry rate of growth expectation has come off significantly from where it was 3 months back. However, we have increased its revenue growth a tad in FY26. But it increased much more in FY27/FY28 assuming that it will have a higher TCV win rate in the coming quarters.

**Raise rating to Hold:** We raise rating of Mphasis to HOLD from SELL as we increase target PE multiple from 20.2x to 22.4x. The former was at 5% discount to the target PE multiple of TCS and now it is at a 5% premium. We may move the rating higher or lower on how it addresses client/vertical concentration risks.

## Key changes

Target	Rating
▲	▲

Ticker/Price	MPHL IN/Rs 2,625
Market cap	US\$ 5.8bn
Free float	60%
3M ADV	US\$ 16.0mn
52wk high/low	Rs 3,238/Rs 2,045
Promoter/FPI/DII	40%/19%/37%

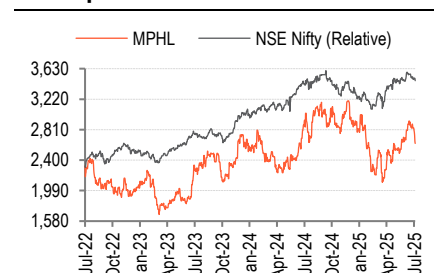
Source: NSE | Price as of 25 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	142,300	156,108	177,027
EBITDA (Rs mn)	26,471	29,689	32,986
Adj. net profit (Rs mn)	17,024	19,298	22,173
Adj. EPS (Rs)	89.3	101.1	116.2
Adj. ROAE (%)	18.5	19.2	20.2
Adj. P/E (x)	29.4	26.0	22.6
EV/EBITDA (x)	18.8	16.9	15.0
Adj. EPS growth (%)	8.1	13.2	14.9

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## Key Points from the quarter and the earnings call

- Revenue stood at US\$437 mn, up 1% QoQ (against our estimate of flat CC growth) and 6.5% YoY in CC terms.
  - Revenue impacted by decline in non-strategic ATM business under secondary market segment
- Direct business accounted for 97.3% of total revenue; Direct revenue rose 1.6% QoQ and 8.1% YoY in CC terms
  - US geography grew 3.2% QoQ in CC terms
  - EMEA region declined 15% QoQ in CC terms due to a customer ramp-down
  - The rest of the world grew 6.8% QoQ in CC terms. Includes increasing presence in GCC play, as many deals are structured in India geography.
- Overall BFS grew 6.7% QoQ and 18% YoY in CC terms; direct BFS grew 8.1% QoQ. BFS growth driven by wallet share gains, ramp-up of new deals, and strong execution.
- Insurance vertical grew 20%+ QoQ and 27.5% YoY in CC terms
- Direct TMT grew 2.4% QoQ and 20.6% YoY, aided by deal wins and conversions
- Logistics and transportation (46% QoQ and 55% Yoy in USD terms) impacted by customer-specific investments; recovery expected during the remainder of year. New deals in pipeline across logistics clients and sub-verticals.
- EBIT margin remained at 15.3% (against our estimate of 15.5%)
  - While logistics saw gross margin decline due to investments, improvements in other verticals and better utilization of internal talent have helped offset this impact, keeping overall margins stable
- Operating cash flow at US\$24 mn was impacted by delayed collections from a top customer and annual incentive payouts. Adjusting for these two, normalized cash flow estimated at US\$46 mn.
- DSO increased by 9 days to 84 due to collection delays
- Savings-led transformation and platform-led approach continue to be central to Mphasis strategy
- Target to grow at 2x industry rate based on 1Q performance and steady deal ramp-up.
- The EBIT margin target remains 14.75% to 15.75%
- Margins are expected to remain within the guided range. While improved utilization provided a boost, it was offset by continued investments in clients and growth initiatives such as deal teams and platforms. The overall strategy remains focused on driving growth while maintaining margin discipline

- TCV wins in 1Q at US\$760 mn (82% of the deal wins in NewGen Services). The highest ever in its history.
  - AI deals led 68% of 1QFY26 pipeline. Mphasis' AI pipeline has grown 2.2x since launch, with the largest deal pipeline and TCV wins in 1QFY26
  - BFS pipeline grew 47% YoY; non-BFS pipeline up 108% YoY.
  - Large deals pipeline up 40% QoQ and 154% YoY: 4 large deals, including three over US\$100 mn and one over US\$50 mn, led by BFS, Insurance, and TMT.
  - TCV-to-revenue conversion remains steady; customer spending focused on cost takeouts, efficiency, and vendor consolidation
  - Deal wins are well distributed across both existing and newer clients. They span multiple verticals, notably BFS, TMT, and insurance, which have been key growth drivers. The pipeline is also broad-based, covering both top 10 and non-top 10 clients across BFS and non-BFS segments

#### **Demand Environment:**

- The demand environment has shown resilience but only selective strength in the past quarter. Decision-making remains deliberate due to sustained macroeconomic uncertainties.
- Cybersecurity threats and legislative compliance make defense and protection an urgent priority.
- Clients are reprioritizing spending toward must-have capabilities, efficiencies, cost savings, and programs with clear ROI and low execution risk.
- Business teams are pushing for scaled AI programs under tight budgets, aiming for value at reduced cost, new feature releases, faster time to market, and innovation. AI shaping forward-looking deals and reinforcing platform-led strategy evident in AI-led deal pipeline and TCV wins
- GCC is evolving with models like carve outs, build outs, and managed captives, while traditional people-based service models face pressure.
- Growth momentum supported by BFS, Insurance, and TMT deal wins and ramp-ups
- No indication of client spending fatigue; pipeline remains active across verticals

#### **Other Points**

- The strong growth in the deal pipeline is attributed to a focused, account-based approach with highly customized, contextual solutions tailored to individual clients. Investments have been made in broad, high-demand areas such as cloud, application transformation, AI-driven operations, and legacy modernization. These are then personalized through an account CTO model to drive client relevance and intimacy. Additionally, the large deals team has institutionalized the end-to-end deal process—from ideation to pricing—boosting efficiency and win rates, including in competitive RFP situations

- Logistics and transportation segment expected to recover
- Sharp increase in "other assets" during the quarter attributed primarily to IFRS 15 accounting for fixed price projects. The increase in fixed price revenue contributed significantly to the rise in other assets. Despite asset increase, there is no equivalent cash outflow; corresponding increase also seen in 'other liabilities'
- Growth in BFS and Insurance driven by momentum from earlier deal closures in 4QFY25 and early 1QFY26. Some deals convert revenue faster depending on deal structure
- Decline in a large client and EMEA region are linked
- Proactive deal making and co-ideation with clients contributing to differentiated offerings
- Customer fatigue with incumbent tier-1 providers due to insufficient investment and lack of needed engagement for transformation programs creates opportunity for Mphasis
- Ramp-up schedules vary by deal, with some already contributing in 1Q and others expected to convert over the next one to two quarters
- The divergence between flat headcount & rising utilization reflects structural changes in the business model. There's a growing shift toward fixed-price contracts & tech-enabled, platform-driven services, allowing for higher productivity without proportional headcount growth. Headcount is no longer a lead indicator of growth, as the company prioritizes delivering efficiently through leaner, more flexible supply chain models
- Utilization is expected to stay elevated compared to the past 3-year average. There's no longer a linear correlation between utilization and revenue growth.
- Strong growth in the insurance vertical is due to successfully converting more deals into revenue (from existing clients with large deals and new client wins). There's a healthy pipeline to support continued growth in the segment, although sequential growth may appear modest as the baseline has already shifted higher after 1Q
- The company is taking a cautious approach to growth expectations, aiming for steady execution amid daily changes rather than aggressively projecting rapid ramp-up from recent deal wins. Some deals will require setup and transition time, so the full impact may be more visible in coming quarters rather than immediately.
- The company invested US\$4mn for 26% stake in Aokah (a Platform-as-a-Service company designed to help enterprises set up, scale, and optimize next-gen GCCs, to drive speed, intelligence, and efficiency). This strategic move aims to help shape client deals early in the GCC space and create new business opportunities beyond the core focus

## We have an underweight stance on Indian IT services.

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**), and reiterated that view with an update on 12<sup>th</sup> March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate we believe the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

### Multiple speed breakers post FY25 drive our Underweight stance

**Trump policies raise uncertainty:** The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal immigration, DOGE, etc all point to uncertainty in the coming days which may delay decision making

**Higher for longer interest rate environment:** One of the reasons for optimism around the Indian IT Services sector in late 2024 had been the view that the US would achieve a soft landing in 2025 and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

**Gen AI and GCCs are going to disrupt growth:** We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

### Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to

cloud/SaaS and move it away from the those who have lower bargaining power – the global IT services players.

**Higher competition:** Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

**Weak TCV:** The weaker TCV for most players in FY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a set of large clients in FY25 or the need to set off large pass-through items.

**How we are valuing companies:** We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

### **Tier- 2 valuation reflects growth gap with Tier-1**

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

**Fig 1 – Quarterly results: Comparison of actuals with estimates**

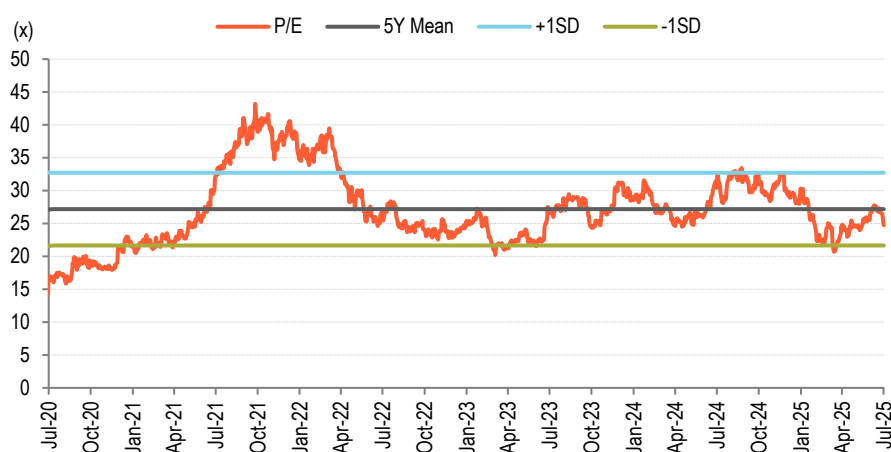
Y/E Mar (Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1QFY26	Dev (%)
USD Revenue (US\$mn)	410	430	437	6.7	1.6	434	0.8
Net sales	34,225	37,100	37,324	9.1	0.6	37,523	(0.5)
Direct Costs	24,519	26,451	26,548	8.3	0.4	26,980	(1.6)
% of sales	71.6	71.3	71.1			71.9	
Gross Profit	9,706	10,649	10,776	11.0	1.2	10,543	2.2
% of sales	28.4	28.7	28.9			28.1	
Selling expenses	2,527	2,790	2,829	12.0	1.4	2,641	7.1
% of sales	7.4	7.5	7.6			7.0	
G&A expenses	2,044	2,187	2,238	9.5	2.3	2,070	8.1
% of sales	6.0	5.9	6.0		1.7	5.5	
Provision for doubtful debts	0	0	0			0	
EBIT	5,135	5,672	5,709	11.2	0.7	5,832	(2.1)
% of sales	15.0	15.3	15.3			15.5	
Other Income	238	239	392	64.7	64.0	307	27.7
PBT	5,373	5,911	6,101	13.5	3.2	6,138	(0.6)
Exceptional item	0	0	0			0	
Provision for tax	1,328	1,446	1,684	26.8	16.5	1,502	12.1
Effective tax rate (%)	24.7	24.5	27.6		12.8	24.5	12.8
PAT (reported)	4,045	4,465	4,417	9.2	(1.1)	4,637	(4.7)
NPM (%)	11.8	12.0	11.8			12.4	

Source: Company, BOBCAPS Research

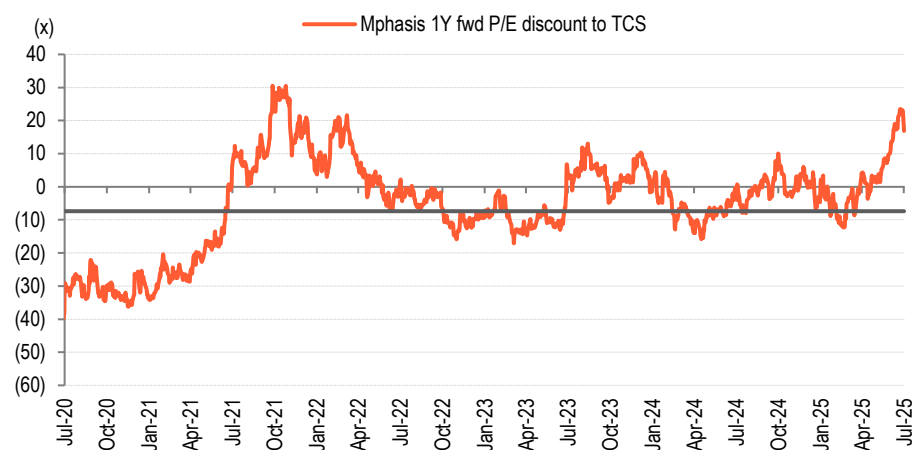
**Fig 2 – Revised Estimates**

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY27E
INR/USD	86.6	89.3	91.1	87.3	89.3	91.1	(0.7)	0.0	0.0
USD Revenue (in mn)	1,802	1,983	2,182	1,788	1,939	2,084	0.8	2.3	4.7
USD Revenue Growth (%)	7.2	10.0	10.0	6.4	8.5	7.5			
Revenue (Rsmn)	156,108	177,027	198,701	156,020	173,090	189,765	0.1	2.3	4.7
EBIT (Rsmn)	24,198	27,353	30,824	24,171	26,857	29,390	0.1	1.8	4.9
EBIT Margin (%)	15.5	15.5	15.5	15.5	15.5	15.5			
PAT Adjusted (Rsmn)	19,298	22,173	25,115	19,437	21,780	24,134	(0.7)	1.8	4.1
FDEPS-Adjusted (Rs)	101.1	116.2	131.6	101.9	114.2	126.5	(0.8)	1.7	4.0

Source: Company, BOBCAPS Research

**Fig 3 – 5 Year PE trend**

Source: Bloomberg, BOBCAPS Research

**Fig 4 – Premium/ Discount to TCS**

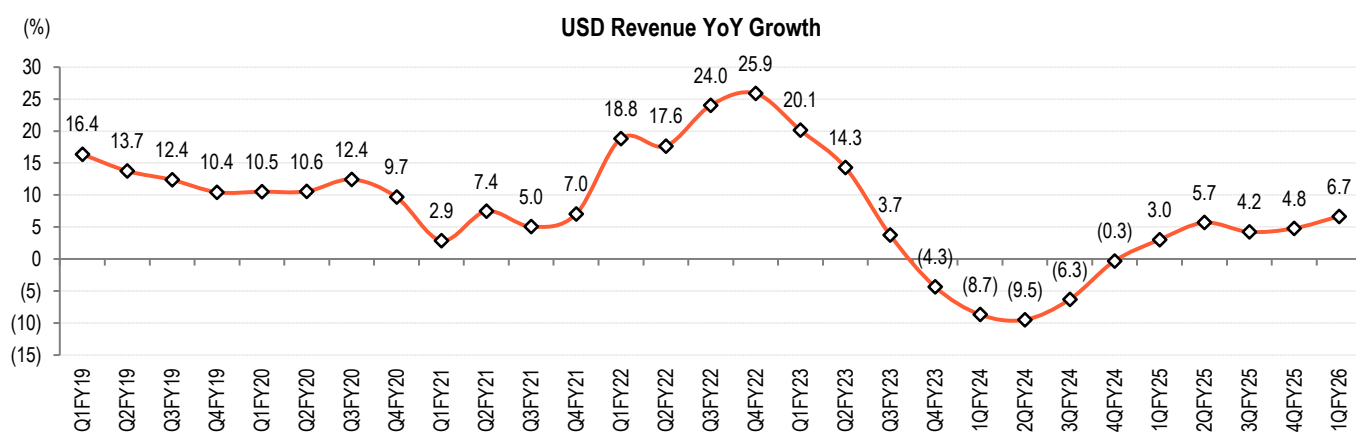
Source: Bloomberg, BOBCAPS Research

**Fig 5 – P&L at a glance**

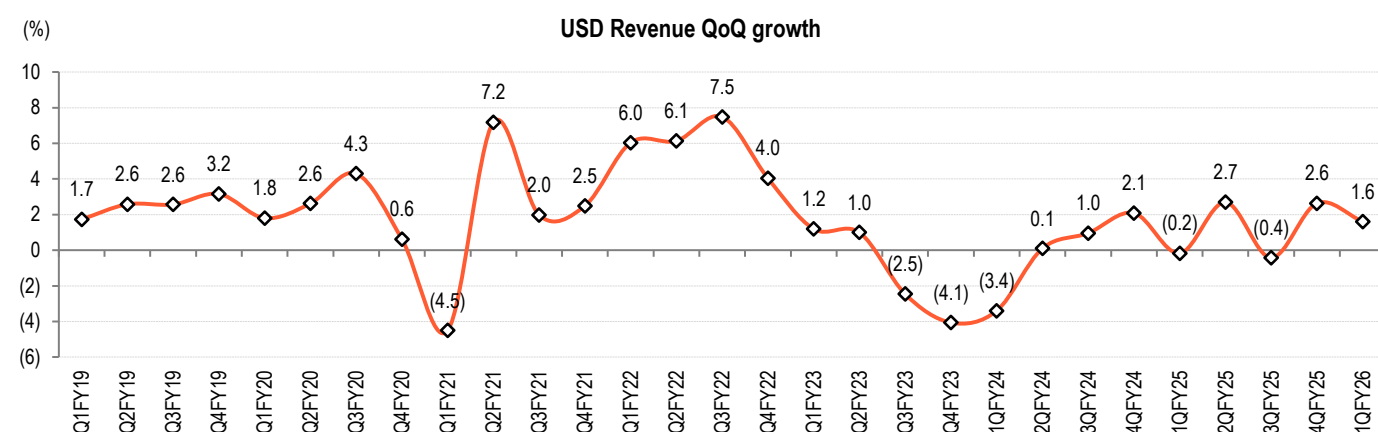
(YE March)	FY13	FY14*	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average exchange rate (INR/USD)	57.0	134.2	61.4	65.8	68.0	64.5	69.9	71.2	74.1	74.5	80.6	82.8	84.6	86.6	89.3	91.1
Net Sales (USD mn)	1,017	427	944	926	894	989	1,119	1,239	1,308	1,593	1,718	1,609	1,681	1,802	1,983	2,182
Growth (%)	-	-	-	(1.9)	(3.5)	10.7	13.1	10.8	5.6	21.7	7.8	(6.3)	4.4	7.2	10.0	10.0
Net Sales (Rs mn)	57,963	57,276	57,948	60,879	60,763	65,459	77,311	88,436	97,222	119,615	137,985	132,785	142,300	156,108	177,027	198,701
-Growth (%)	8.2	-	-	5.1	(0.2)	7.7	18.1	14.4	9.9	23.0	15.4	(3.8)	7.2	9.7	13.4	12.2
Direct Costs	43,396	42,464	43,424	45,362	44,118	47,892	56,407	63,503	69,610	86,829	100,475	95,950	101,522	111,823	126,548	142,154
Gross Profit	14,567	14,812	14,524	15,517	16,645	17,567	20,904	24,933	27,612	32,786	37,510	36,835	40,778	44,285	50,479	56,547
% of sales	25.1	25.9	25.1	25.5	27.4	26.8	27.0	28.2	28.4	27.4	27.2	27.7	28.7	28.4	28.5	28.5
Selling expenses	3,052	3,220	3,654	3,951	4,195	4,238	4,800	5,820	6,851	7,196	8,635	9,260	10,652	11,215	12,912	14,362
% of sales	5.3	5.6	6.3	6.5	6.9	6.5	6.2	6.6	7.0	6.0	6.3	7.0	7.5	7.2	7.3	7.2
G&A expenses	2,401	2,685	2,940	3,314	3,419	3,445	3,603	4,923	5,152	7,320	7,788	7,461	8,417	8,872	10,215	11,361
% of sales	4.1	4.7	5.1	5.4	5.6	5.3	4.7	5.6	5.3	6.1	5.6	5.6	5.9	5.7	5.8	5.7
Provision for doubtful debts	226.0	86.0	210.0	26.0	1.0	(33.0)	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8,888	8,821	7,720	8,226	9,030	9,917	12,481	14,190	15,609	18,270	21,087	20,114	21,709	24,198	27,353	30,824
% of sales	15.3	15.4	13.3	13.5	14.9	15.1	16.1	16.0	16.1	15.3	15.3	15.1	15.3	15.5	15.5	15.5
Other income	1,394	500	1,968	1,954	2,385	1,620	1,747	1,780	1,330	1,605	1,617	2,178	2,550	3,466	3,924	4,288
Financial Expenses	(330)	(111)	(279)	(242)	(139)	(130)	(155)	(813)	(634)	(744)	(973)	(1,608)	(1,656)	(1,629)	(1,515)	(1,401)
PBT	9,952	9,210	9,409	9,938	11,276	11,407	14,073	15,157	16,305	19,132	21,731	20,684	22,603	26,035	29,762	33,711
-PBT margin (%)	17.2	16.1	16.2	16.3	18.6	17.4	18.2	17.1	16.8	16.0	15.7	15.6	15.9	16.7	16.8	17.0
Exceptional Item	0	(64)	(32)	(548)	(152)	(131)	0	0	0	0	0	0	0	0	0	0
Provision for tax	2,514	1,191	2,631	2,696	3,076	2,900	3,339	3,306	4,139	4,821	5,351	5,135	5,579	6,737	7,589	8,596
Effective tax rate (%)	25.3	12.9	28.0	27.1	27.3	25.4	23.7	21.8	25.4	25.2	24.6	24.8	24.7	25.9	25.5	25.5
Net profit	7,438	7,954	6,746	6,694	8,048	8,376	10,734	11,851	12,166	14,311	16,380	15,549	17,024	19,298	22,173	25,115
-Growth (%)	(6.1)	-	-	(0.8)	20.2	4.1	28.2	10.4	2.7	17.6	14.5	(5.1)	9.5	13.4	14.9	13.3
-Net profit margin (%)	12.8	13.9	11.6	11.0	13.2	12.8	13.9	13.4	12.5	12.0	11.9	11.7	12.0	12.4	12.5	12.6

Source: Company, BOBCAPS Research; \*FY14 is a 5-month period due to change in financial year by the company from October to March

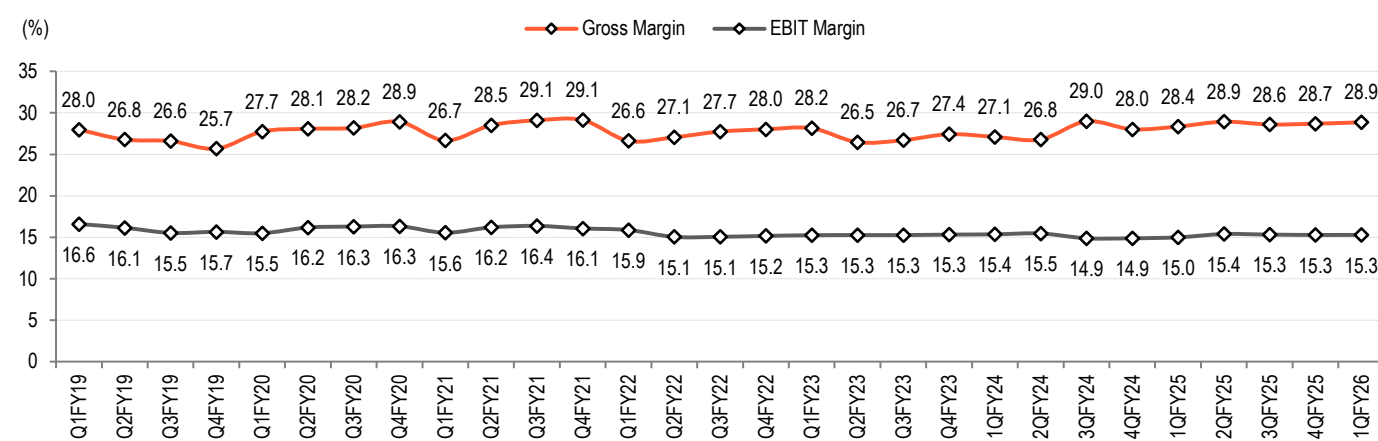


**Fig 6 – USD Revenue YoY Growth**

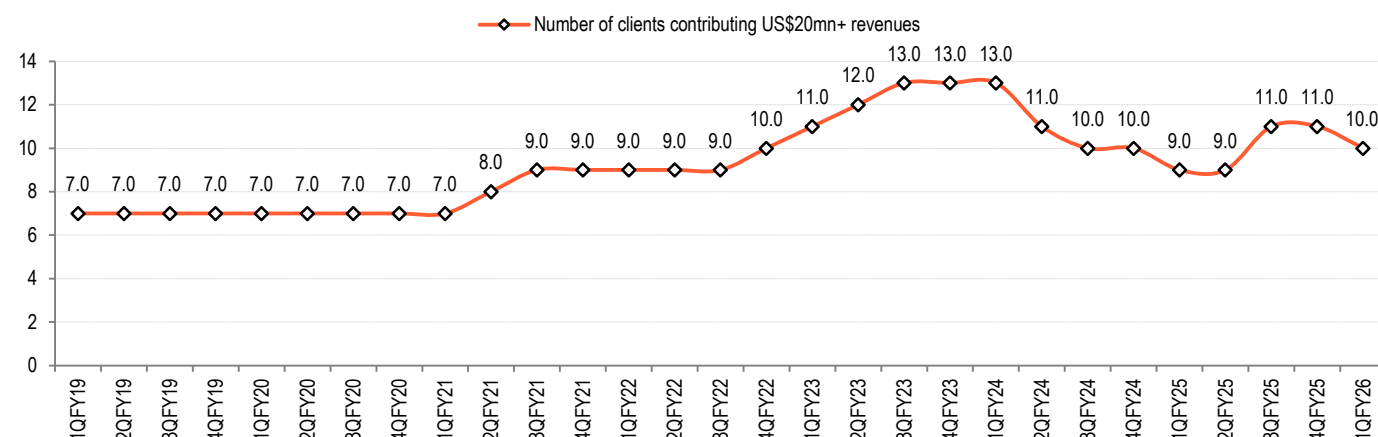
Source: Company, BOBCAPS Research

**Fig 7 – USD Revenue QoQ Growth**

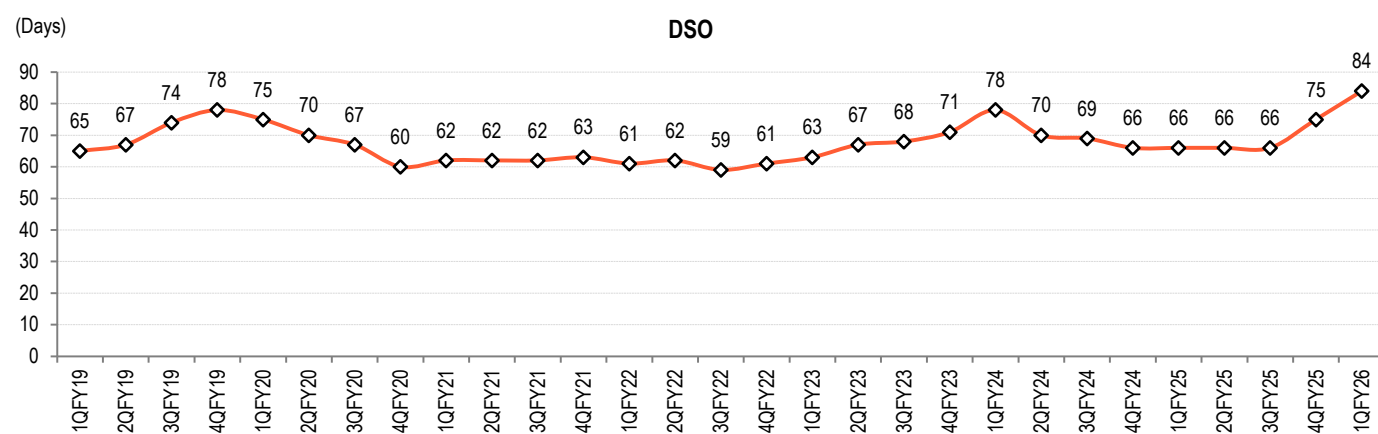
Source: Company, BOBCAPS Research

**Fig 8 – Gross Margin and EBIT margin**

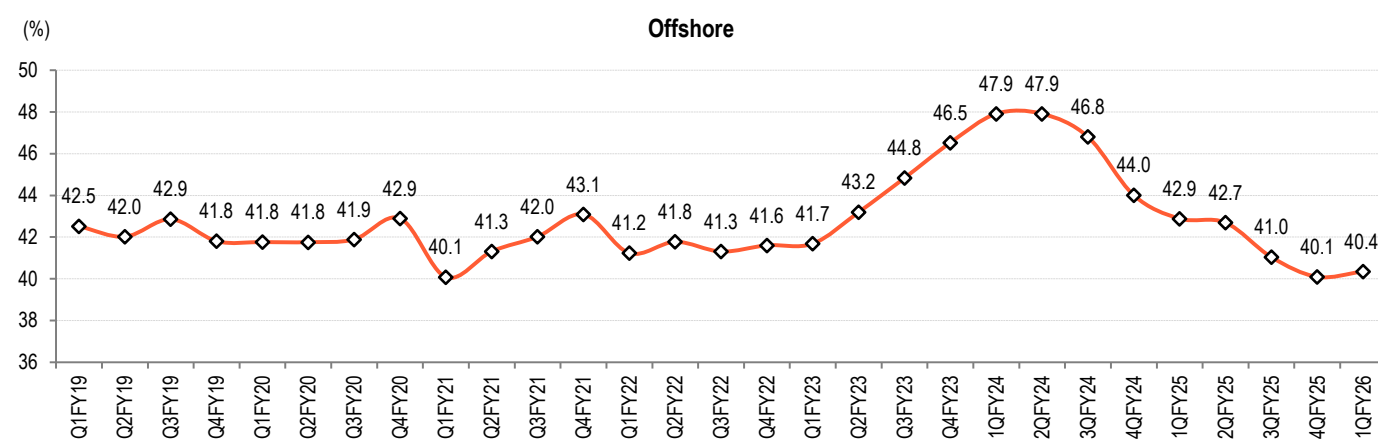
Source: Company, BOBCAPS Research

**Fig 9 – Number of clients contributing US\$20mn revenues**

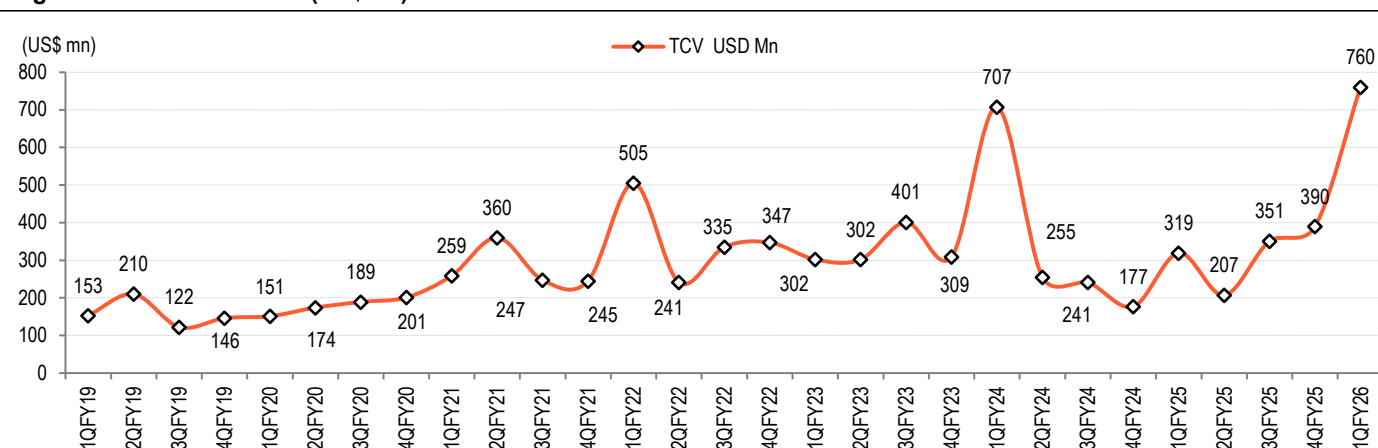
Source: Company, BOBCAPS Research

**Fig 10 – DSO**

Source: Company, BOBCAPS Research

**Fig 11 – Offshore revenue contribution**

Source: Company, BOBCAPS Research

**Fig 12 – Order Inflow TCV (US\$m)**

Source: Company, BOBCAPS Research

**Fig 13 – Quarterly Snapshot**

Year to 31 March	Q1FY23	Q2FY23	Q3FY23	Q4FY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>(Rs mn)</b>													
INR/USD	77.8	80.1	82.3	82.3	82.2	82.7	83.3	83.2	83.4	83.8	84.8	86.4	85.4
USD Revenue (USD mn)	436	440	429	412	398	398	402	411	410	421	419	430	437
INR Revenue	34,112	35,199	35,062	33,612	32,520	32,765	33,379	34,121	34,225	35,362	35,613	37,100	37,324
Gross Margin	9,605	9,319	9,365	9,221	8,817	8,781	9,674	9,563	9,706	10,234	10,189	10,649	10,776
SGA	4,401	3,942	4,011	4,069	3,822	3,714	4,703	4,482	4,571	4,790	4,731	4,977	5,067
EBIT	5,204	5,377	5,354	5,152	4,995	5,067	4,971	5,081	5,135	5,444	5,458	5,672	5,709
Other income	357	434	400	426	504	490	542	642	736	587	627	600	810
PBT	5,329	5,551	5,510	5,341	5,258	5,217	4,985	5,224	5,373	5,626	5,693	5,911	6,101
Tax	1,310	1,366	1,387	1,288	1,297	1,297	1,250	1,291	1,328	1,392	1,413	1,446	1,684
PAT	4,019	4,185	4,123	4,053	3,961	3,920	3,735	3,933	4,045	4,234	4,280	4,465	4,417
EPS	21.4	22.2	21.9	21.5	21.0	20.8	19.8	20.9	21.4	22.4	22.6	23.5	23.2
<b>YOY Growth (%)</b>													
USD Revenue	20.1	14.3	3.7	(4.3)	(8.7)	(9.5)	(6.3)	(0.3)	3.0	5.7	4.2	4.8	6.7
INR Revenue	26.8	22.7	12.2	2.5	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7	8.7	9.1
Gross Profit	34.0	20.0	8.0	0.4	(8.2)	(5.8)	3.3	3.7	10.1	16.5	5.3	11.4	11.0
EBIT	21.9	24.5	13.8	3.6	(4.0)	(5.8)	(7.1)	(1.4)	2.8	7.4	9.8	11.6	11.2
Net Profit	18.3	22.5	15.3	3.4	(1.5)	(6.3)	(9.4)	(3.0)	2.1	8.0	14.6	13.5	9.2
<b>QoQ growth (%)</b>													
USD Revenue	1.2	1.0	(2.5)	(4.1)	(3.4)	0.1	1.0	2.1	(0.2)	2.7	(0.4)	2.6	1.6
INR Revenue	4.1	3.2	(0.4)	(4.1)	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7	4.2	0.6
EBIT	4.7	3.3	(0.4)	(3.8)	(3.0)	1.4	(1.9)	2.2	1.1	6.0	0.3	3.9	0.7
Net Profit	2.5	4.1	(1.5)	(1.7)	(2.3)	(1.0)	(4.7)	5.3	2.9	4.7	1.1	4.3	(1.1)
<b>Margins (%)</b>													
Gross Margin	28.2	26.5	26.7	27.4	27.1	26.8	29.0	28.0	28.4	28.9	28.6	28.7	28.9
EBIT margin	15.3	15.3	15.3	15.3	15.4	15.5	14.9	14.9	15.0	15.4	15.3	15.3	15.3
PAT	11.8	11.9	11.8	12.1	12.2	12.0	11.2	11.5	11.8	12.0	12.0	12.0	11.8
SGA	12.9	11.2	11.4	12.1	11.8	11.3	14.1	13.1	13.4	13.5	13.3	13.4	13.6

Source: Company, BOBCAPS Research

Fig 14 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>P and L (Rs mn)</b>													
Revenues	33,909	35,273	35,356	33,893	32,719	32,964	33,507	34,150	34,208	35,286	35,565	37,174	37,341
EBITDA	6,000	6,178	6,175	5,987	5,869	5,956	6,006	6,389	6,185	6,480	6,781	7,025	7,028
PAT	4,019	4,185	4,123	4,053	3,961	3,920	3,735	3,933	4,045	4,234	4,280	4,465	4,417
<b>Vertical/Industry (%)</b>													
BFS	53	54	54	53	49	47	47	47	48	48	49	50	53
Insurance	9	8	8	8	11	11	11	11	11	11	12	11	14
IT, C and E	13	13	13	13	15	17	16	16	16	16	17	18	18
Emerging Ind.	24	25	25	27	25	25	26	26	25	24	23	21	16
<b>Absolute Numbers</b>													
BFS	18,097	19,128	18,967	17,997	16,121	15,542	15,684	16,076	16,302	16,892	17,306	18,590	19,679
Insurance	3,003	2,936	2,921	2,590	3,443	3,544	3,813	3,770	3,873	3,964	4,153	4,238	5,105
IT, C and E	4,539	4,563	4,578	4,301	4,927	5,703	5,219	5,449	5,490	5,820	6,030	6,600	6,757
Emerging Ind.	8,270	8,646	8,890	9,005	8,228	8,175	8,790	8,855	8,545	8,610	8,076	7,747	5,800
Total	33,909	35,273	35,356	33,893	32,719	32,964	33,506	34,150	34,210	35,286	35,565	37,175	37,341
<b>QoQ Growth (%)</b>													
BFS	4	6	(1)	(5)	(10)	(4)	1	2	1	4	2	7	6
Insurance	(3)	(2)	(1)	(11)	33	3	8	(1)	3	2	5	2	20
IT, C and E	6	1	0	(6)	15	16	(8)	4	1	6	4	9	2
Emerging Ind.	8	5	3	1	(9)	(1)	8	1	(4)	1	(6)	(4)	(25)
Total	4	4	0	(4)	(3)	1	2	2	0	3	1	5	0
<b>YoY Growth (%)</b>													
BFS	32	23	11	3	(11)	(19)	(17)	(11)	1	9	10	16	21
Insurance	23	17	7	(16)	15	21	31	46	12	12	9	12	32
IT, C and E	19	28	12	0	9	25	14	27	11	2	16	21	23
Emerging Ind.	22	26	26	18	(1)	(5)	(1)	(2)	4	5	(8)	(13)	(32)
Total	27	24	14	4	(4)	(7)	(5)	1	5	7	6	9	9
<b>Geography-wise Revenue Breakdown (%)</b>													
USA	82	82	82	81	81	79	80	81	81	81	82	82	83
Europe	10	10	10	11	10	12	12	11	11	11	10	10	9
ROW	3	3	3	3	3	3	3	3	3	3	2	3	3
India	5	5	5	5	6	6	6	5	5	6	6	5	5
<b>Delivery Location (Rs mn)</b>													
Onsite (%)	58	57	55	53	52	52	53	56	57	57	59	60	60
Offshore (%)	42	43	45	47	48	48	47	44	43	43	41	40	40
<b>Project Type (%)</b>													
Time and Material	55	56	57	58	58	58	58	58	60	60	58	55	0
Fixed Price	45	44	43	42	42	42	42	42	40	40	42	45	51
<b>Client concentration (%)</b>													
Top client	11	12	12	13	13	16	15	14	14	15	15	14	13
Top 5 clients	45	45	45	44	43	47	46	44	44	43	43	42	40
Top 10 clients	60	60	59	59	58	58	55	54	53	53	53	54	54
Non-Top 10 Clients	40	40	41	41	42	42	45	46	47	47	47	46	46

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Clients Contributing:</b>													
\$ 200mn revenues	0	1	1	1	1	1	1	1	1	1	1	1	1
\$ 150mn revenues	3	3	3	3	3	3	3	3	3	2	2	2	1
\$ 100mn revenues	4	4	4	4	3	3	3	3	3	3	3	3	4
\$ 75mn revenues	6	6	6	5	5	4	4	4	4	4	5	5	6
\$ 50mn revenues	7	7	7	7	6	6	5	5	5	5	5	5	7
\$ 20mn+ clients	11	12	13	13	13	11	10	10	9	9	11	11	10
\$ 10mn+ clients	24	24	23	25	27	26	29	29	30	27	29	29	31
\$ 5mn+ clients	44	45	46	46	47	46	46	47	48	51	47	50	50
\$ 1mn+ clients	105	104	107	112	113	115	134	135	135	140	140	139	137
<b>(US\$ mn)</b>													
Revenues	436	440	429	412	398	398	402	411	410	421	419	430	437
EBITDA	77	77	75	73	71	72	72	77	74	77	80	81	82
PAT	52	52	50	49	48	47	45	47	48	51	50	52	52
<b>Productivity metrics</b>													
<b>Per capita (annualised)</b>													
Revenues	56,636	55,921	56,760	56,233	56,284	57,609	57,208	60,590	61,389	63,372	64,157	65,336	66,639
EBITDA	10,022	9,794	9,913	9,933	10,096	10,409	10,255	11,335	11,100	11,638	12,233	12,347	12,542
PAT	6,713	6,634	6,619	6,725	6,814	6,851	6,377	6,977	7,259	7,604	7,721	7,848	7,883
Total contract value signed(US\$ mn)	302	302	401	309	707	255	241	177	319	207	351	390	760
Total headcount	36,899	36,876	35,450	34,042	33,961	33,771	33,992	32,664	31,645	31,601	31,194	31,442	31,063
Net addition	365	(23)	(1,426)	(1,408)	(81)	(190)	221	(1,328)	(1,019)	(44)	(407)	248	(379)
Utilization - Offshore (excluding trainees) (%)	74	72	74	79	80	77	74	75	76	76	75	78	84

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>132,785</b>	<b>142,300</b>	<b>156,108</b>	<b>177,027</b>	<b>198,701</b>
EBITDA	24,220	26,471	29,689	32,986	36,600
Depreciation	4,106	4,762	5,490	5,633	5,776
EBIT	20,114	21,709	24,198	27,353	30,824
Net interest inc./(exp.)	(1,608)	(1,656)	(1,629)	(1,515)	(1,401)
Other inc./(exp.)	2,178	2,550	3,466	3,924	4,288
Exceptional items	0	0	0	0	0
EBT	20,684	22,603	26,035	29,762	33,711
Income taxes	5,135	5,579	6,737	7,589	8,596
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>15,549</b>	<b>17,024</b>	<b>19,298</b>	<b>22,173</b>	<b>25,115</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>15,549</b>	<b>17,024</b>	<b>19,298</b>	<b>22,173</b>	<b>25,115</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	24,910	31,445	43,284	49,270	54,665
Provisions	3,261	833	678	772	857
Debt funds	15,436	11,159	11,119	10,319	9,519
Other liabilities	9,749	9,346	9,789	9,789	9,789
Equity capital	1,890	1,901	1,903	1,903	1,903
Reserves & surplus	86,056	94,383	103,341	112,210	122,256
Shareholders' fund	87,946	96,284	105,243	114,112	124,158
<b>Total liab. and equities</b>	<b>141,302</b>	<b>149,067</b>	<b>170,114</b>	<b>184,262</b>	<b>198,987</b>
Cash and cash eq.	8,144	16,126	17,811	25,374	26,774
Accounts receivables	27,028	31,604	34,043	38,751	42,994
Inventories	0	0	0	0	0
Other current assets	16,434	18,192	33,634	38,285	42,477
Investments	30,899	22,082	24,502	24,502	24,502
Net fixed assets	6,285	8,463	6,443	3,156	7,585
CWIP	614	2	5	5	5
Intangible assets	41,793	42,907	43,209	43,209	43,209
Deferred tax assets, net	2,857	3,246	3,709	4,222	4,684
Other assets	7,248	6,445	6,758	6,758	6,758
<b>Total assets</b>	<b>141,302</b>	<b>149,067</b>	<b>170,114</b>	<b>184,262</b>	<b>198,987</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>25,450</b>	<b>21,215</b>	<b>20,221</b>	<b>26,042</b>	<b>29,336</b>
Capital expenditures	(18,094)	(6,328)	(3,473)	(2,347)	(10,204)
Change in investments	(13,808)	8,428	(2,883)	(513)	(462)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(31,902)</b>	<b>2,100</b>	<b>(6,356)</b>	<b>(2,860)</b>	<b>(10,667)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	13,720	(3,953)	14	(800)	(800)
Interest expenses	(1,608)	(1,656)	(1,629)	(1,515)	(1,401)
Dividends paid	(10,357)	0	(11,579)	(13,304)	(15,069)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>1,755</b>	<b>(5,609)</b>	<b>(13,194)</b>	<b>(15,619)</b>	<b>(17,270)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>(2,414)</b>	<b>7,982</b>	<b>1,685</b>	<b>7,563</b>	<b>1,400</b>
<b>Closing cash &amp; cash eq.</b>	<b>8,144</b>	<b>16,126</b>	<b>17,811</b>	<b>25,374</b>	<b>26,774</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	82.6	89.9	101.4	116.6	132.0
Adjusted EPS	82.6	89.3	101.1	116.2	131.6
Dividend per share	55.0	0.0	60.9	69.9	79.2
Book value per share	467.1	507.0	553.3	599.9	652.7

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.7	3.5	3.2	2.8	2.5
EV/EBITDA	20.3	18.8	16.9	15.0	13.3
Adjusted P/E	31.8	29.4	26.0	22.6	20.0
P/BV	5.6	5.2	4.7	4.4	4.0

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.2	75.3	74.1	74.5	74.5
Interest burden (PBT/EBIT)	102.8	104.1	107.6	108.8	109.4
EBIT margin (EBIT/Revenue)	15.1	15.3	15.5	15.5	15.5
Asset turnover (Rev./Avg TA)	103.7	98.0	97.8	99.9	103.7
Leverage (Avg TA/Avg Equity)	1.5	1.6	1.6	1.6	1.6
<b>Adjusted ROAE</b>	<b>18.6</b>	<b>18.5</b>	<b>19.2</b>	<b>20.2</b>	<b>21.1</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	(3.8)	7.2	9.7	13.4	12.2
EBITDA	(0.5)	9.3	12.2	11.1	11.0
Adjusted EPS	(5.1)	8.1	13.2	14.9	13.3

### Profitability & Return ratios (%)

EBITDA margin	18.2	18.6	19.0	18.6	18.4
EBIT margin	15.1	15.3	15.5	15.5	15.5
Adjusted profit margin	11.7	12.0	12.4	12.5	12.6
Adjusted ROAE	18.6	18.5	19.2	20.2	21.1
ROCE	14.8	14.2	14.8	15.7	16.5

### Working capital days (days)

Receivables	74	81	80	80	79
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

### Ratios (x)

Gross asset turnover	21.1	16.8	24.2	56.1	26.2
Current ratio	2.1	2.2	2.1	2.2	2.1
Net interest coverage ratio	NA	NA	NA	NA	NA
<b>Adjusted debt/equity</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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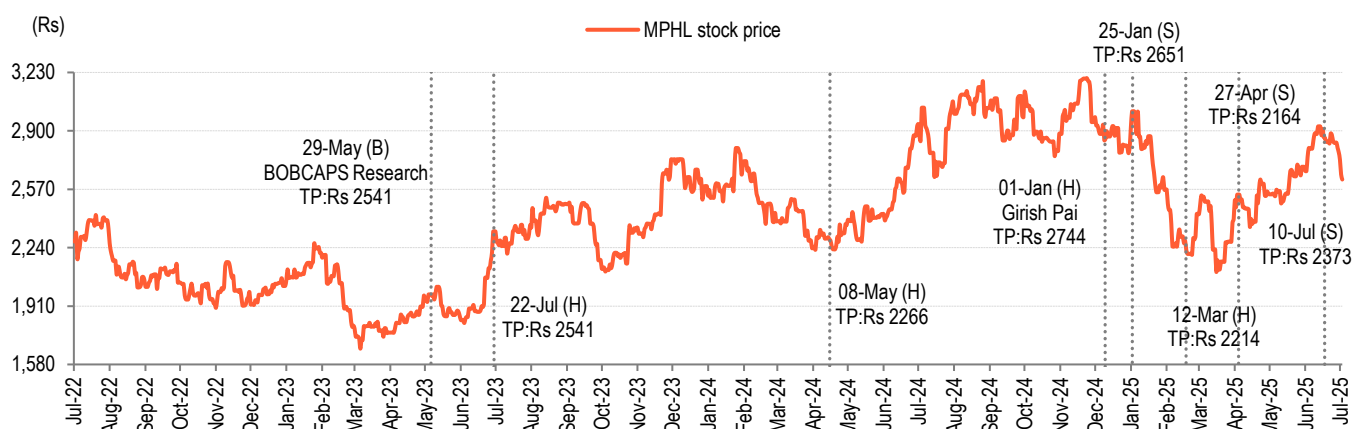
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